

State of Hawaii
DEPARTMENT OF LAND AND NATURAL RESOURCES
Division of State Parks
Honolulu, Hawaii

February 10, 2006

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

Subject: Permission to enter into a Revocable Permit with S.M.C.A., Inc.
for the food and rental of swimming equipment at Hapuna Beach
State Recreation Area (HB), island of Hawaii

Beginning January 1, 2001 through December 31, 2005, S.M.C.A., Inc. won the concession contract through a highest bidder public auction process to provide food, non-alcoholic beverages and rental of beach equipment from the HB concession building (see Exhibit A) and vending machines for food and non-alcoholic beverages at the cabin area pavilion (see Exhibit A).

The S.M.C.A., Inc. concession lease expired December 31, 2005. The Division of State Parks is preparing a Request for Qualifications/Request for Proposal (RFQ/RFP) for the development and operation of approximately 500 acres of HB, to include the concession building that is the subject of this request. If successful, HB will be operated by a private entity under a development agreement and lease. The open public process of letting the RFQ/RFP for HB should occur in 2006.

Until the award of a lease through the RFQ/RFP process, staff is requesting to enter into an annual Revocable Permit (month to month) with S.M.C.A., Inc. to operate the HB food concession, non-alcoholic beverages and beach equipment rental from the HB concession building. Parks staff, subject to Board approval reserves the right to exercise price control and determine the nature and type of food and beach rental equipment that may be sold or rented by S.M.C.A., Inc. Staff is proposing S.M.C.A., Inc. rent under the RP for months one thru six, monthly rent will be 8% of gross revenue only, beginning month seven for the duration of the RP, monthly rent will be \$1,200 per month versus 8% of gross revenue, whichever is greater. Historically, during high surf conditions, the beach at HB closes which has a direct impact on the concession revenue. Staff is recommending that on days when the beach is closed due to high surf the monthly rent will be prorated and reduced by the number of days the beach is closed.

Recommendation:

That the Land Board approves entering into an annual Revocable Permit on a month to month term with S.M.C.A., Inc. based on the conditions above, monthly

rent for months one thru six, 8% of gross revenue only, beginning month seven for the duration of the RP, monthly rent will be \$1,200.00 per month versus 8% of gross revenue, whichever is greater.

That on days when the beach is closed due to high surf the monthly rent will be prorated and reduced by the number of days the beach is closed.

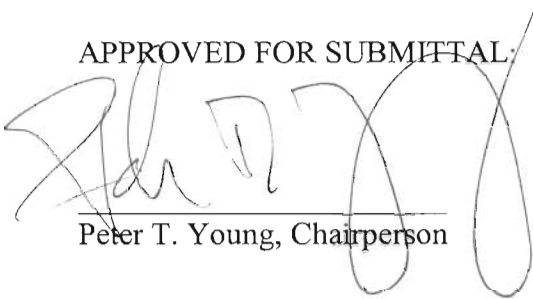
Further, authorize the Chairperson to prescribe such other terms and conditions to best serve the interests of the State.

Respectfully Submitted,



Daniel S. Quinn
State Parks Administrator

APPROVED FOR SUBMITTAL:



Peter T. Young, Chairperson